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ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2133

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SPECIALIZATION, COOPERATION IN CEMA EXAMINED

Budapest KULGAZDASAG in Hungarian No 1, Jan 81 pp 3-17

[Article by Jozsef Fay and Rezso Nyers: "Specialization and Cooperation in the Hungarian Economy and in CEMA"]

[Text] Domestic specialization and cooperation, and the character of the mechanisms that determine them, have a significant effect on the attainable level of similar relations between countries. In the main report on the conference held jointly by the Hungarian Academy of Sciences' Institute of Economic Sciences and Institute of Business and Market Research, the authors address the topic of these mutual relations above all the analysis of domestic and CEMA specialization and cooperation. (The present issue contains a report on this conference beginning on page 68.) They conclude that, in comparison with our foreign trade relations, the process of international specialization is undeveloped in our country. One of the reasons for this is an inadequate level of domestic specialization, which may be attributed to the difference between the systems of regulation and management rather than to the flaws in price and financial regulation. It is also not beneficial that the economy's entire system of goals (planning, management, preferential scale of interests) is connected to the direct demand structure of final use ("the view of the final product"). With regard to CEMA cooperation, the authors point out that we must begin with the realistic fact that the domestic economic mechanism of most member states does not encourage, in fact, makes it almost impossible for enterprises to have initiative and carry out independent activity in international specialization and cooperation. Only the efficiency of the national economy can be the fundamental objective of participating in cooperation; optimal efficiency on a communal level can be approached only through that. Among other things, the contradictory system of evaluating mutual efficiency also hinders CEMA cooperation. There is a constant question of determining the correct level of the hierarchy of the organizations which are the main activities in initiating and implementing cooperation (enterprises, corporations, government organs). It is an important task to promote standardization and to improve the flow of information.

It is well known today that new ways must be found to improve efficiency and must be used in the period of the economy's intensive development. International specialization and cooperation in production are sources whose expansion makes it possible to improve efficiency more rapidly, to decrease asset-intensiveness and to allow the national economies to acquire comparative advantages in the international division of labor. It is essential for our country to make the best use of these sources.

It is not adequately considered and recognized that, in the area of specialization and cooperation, the international process is related to the process within the national economy, i.e., one can develop only if the other is also developing; in fact, both processes overlap with one another and a specific bond is created between them. Thus international cooperation cannot be developed rapidly if the producing organizations are not capable of expanding domestic cooperation at the same pace.

We think it is a significant circumstance that, in our country (just as in other CEMA countries), a specific, and from certain aspects "belated," international specialization was put on the agenda of the 1970s and will continue into the 1980s. We became connected to the international trade of technical and intellectual products too late, only in the late 1960s. In the industrialization process, more and more enterprises adopted a selfish attitude and strove to create a closed production process. As a result, the existing production structures, fixed assets and labor force rather strongly oppose the subsequent expansion of specialization and cooperation. We must reckon with this difficulty, but must be able to take steps toward its elimination.

It is a Hungarian paradox that while our foreign trade relations are becoming noteworthy, the process of international specialization is weak in our country. For example, 53 to 55 percent of our industrial machine investments, 60 percent of our farm equipment and more than two-thirds of our construction equipment come from imports. Despite the fact that international cooperation in production has apparently been improved in the last 5 years, its proportion is still modest. In 1979, 25 percent of our CEMA trade, and 7 to 8 percent of our capitalist trade was done on the basis of long-term cooperational contracts. These relationships entailed technological progress and, at the same time, they also improved our commercial position. According to calculations, they proved to be factors which improve balance both in ruble and dollar relations, and thus it is doubly important to improve them.

Among the CEMA countries, it is especially the Soviet Union, the GDR and Poland with which we are developing closer relationships of this kind, but even these fail to reach the desired level. More dynamism is needed with relation to the other CEMA countries. Cooperational relations with capitalist countries were a new kind of phenomena in the 1970s, drawing a great deal of attention, but they are still in the initial phase today, in need of a dynamic improvement. Two-directional international cooperations may at times cross one another; but it happens much more frequently that one helps the other. Even in this area, special emphasis must be put on CEMA relations, but not in the sense that cooperation in production outside of CEMA would be artificially narrowed.

It is possible to solve the Hungarian economy's external and domestic long-range problems of balance and to attain a permanent and adequate pace of growth only if we can put the entire process of reproduction on tracks where the main yardstick is international efficiency and which leads toward international competitiveness. We must still take large steps forward on the road chosen by our party and government in implementing the 1968 economic management reform, a more consistent and thorough implementation of which was the aim of the latest measures centering on changes of the regulations and the improvement of the normative system.

It seems that the interest relationships implemented in prices and in the systems of revenue policy and financial management are "pulling" today mostly in the direction of efficiency and the improvement of international competitiveness. This pulling force can still be increased through the improvement of our system of exchange assets.

We must conclude from theoretical considerations and from experience that the system of economic management is not yet complete; this is shown by the fact that planning and regulation have limited effects and little practical value in certain areas. The following are especially apparent: the aptitude for innovation is inadequate; there are too few new activities; modern products and production processes get a foothold too slowly and obsolete ones are not phased out of production fast enough. The production and trade cooperation of enterprises is inadequately organized, quality is of secondary concern, the pace is neglected, and there is a frequent "advantage" originating from monopoly. Reaction to market impulses is decisively improving, but is manifest mainly in the maneuvers of the enterprise headquarters; production units hardly take part in marketing.

The deficiencies mentioned can in most part be traced back to the contradictory effect which originates from the different character of the existing regulatory system, and the progressive price and money regulations.

The establishment of long-range directives which may be the basis of the further improvement of our economy's management system still requires a great deal of effort by science and those working in the field of economic management. While we search for the direction of longer-range development, we must change the system in a way that is obviously sensible and is in harmony with our current tasks. There are important reasons for using, among the numerous principles and views, the concepts which help the broadening of specialization and cooperation in a system which encourages and, at the same time, enables us to broaden cooperation.

The domestic broadening of specialization and cooperation is largely connected to the degree and method of participation in the international division of labor. Under the present and future extension of the Hungarian domestic market, only a better adaptation to the world economy--and, within that, first of all to CEMA integration--can serve as an adequate economic background for attaining that goal. Our problem's other significant projection is the external system of conditions for economic cooperation and harmony with socialist countries and the world's other countries.

However, before discussing the relationships between the domestic and external systems of conditions more in detail, we will try to depict briefly what economic advantages would emerge from more specialization and broader cooperation.

In the most general formulation, the point is the expansion of the division of labor into the newer area of the reproduction process. This is both justified and necessary, for the degree of specialization in our country has not reached the level required by the use of today's modern technology for making our products, services and production processes internationally competitive. This applies to the entire regional sphere of the CEMA countries' mutual cooperation as well.

A wider division of labor and more specialization can be applied not only to the reproduction process as a whole, but also to the latter's every single partial phase, for example, to the technical-scientific preparation of investment and production; to production, including its general and specific processes and semifinished products; and to the complex tasks of marketing, including market research and the improvement of the commercial network. In other words, wherever justified by technical and economic relationships, a division of tasks among the international partners may be created even in the individual parts of the "development-production-marketing" process; this can be done in a way that will allow each participant to do the part which is the most economical for it. National economic efficiency may be the decisive criterion.

The facts show that innovation is still not nurtured enough in this country by technical-intellectual imports. True, our intellectual imports in the last 4 years (1975-1979) have grown twice as fast as our product imports, but they still have little effect on the necessary renewal of the production structure. In industry as a whole, the value of products manufactured under foreign license increased by 1978 to 4.7 percent of all sales. This ratio is 8.1 percent in the machine industry; it is increasing more rapidly in metallurgy and the chemical industry, somewhat less in light industry, and its role is insignificant in the food industry. The structure of our intellectual imports is characteristic: 70 percent of the investment-related technical plans are coming from socialist relations, and 90 percent of the licenses are coming from capitalist relations. The point is that all of this is too little, although sometimes it seems more than it is.

In the final analysis, the area which has the largest effect on the economy's international competitiveness is the production process and its organization according to wide specialization.

In principle, and from an approach which looks upon the maximization of efficiency, the right thing to do is to operate production units which complete just as many work phases as will let them achieve, with the aid of the most modern technology, the world level of production and the same level of products, semifinished products and services. In this order, a wide network of suppliers furnishes many semifinished products and partial units; this "background industry" also operates on the principle of production maximization.

The other extreme--which maximizes the external independence of the enterprise manufacturing the finished product--is the very small-scale production of complicated finished products in a way that the manufacture of every single part and partial unit is done within the enterprise in the volume needed by the finished product.

In reality, the level of specialization of the production processes of the individual countries always moves within these two extremes. But it does matter indeed, in which direction it moves.

To illustrate what the effect of increasing or decreasing cooperation may be on efficiency and international competitiveness, let us look at the results of two studies.

According to the calculations of Soviet experts, the CEMA-level specialization of the manufacture of parts and partial units in the Soviet machine industry, would result roughly in the following savings when compared to the production indexes of full-scale manufacturers of finished products: a decrease of 3 to 5 times in preproduction research, design and technology; a decrease of 1.5 to 2 times in dead labor at projects; a decrease of 1.5 to 2.5 times in live work. In addition, the production speed of new products could be 1.5 to 2.5 times faster than the present speed.

The other example is taken from the capitalist world. The West German Volkswagen Works conducted a study of its ever-more apparent disadvantage in competing with the Japanese auto industry, i.e., of the main factors of this disadvantage. Thus, looking at a mid-size passenger car with identical technical parameters, the Japanese have 60 percent higher productivity and 50 percent lower specific wage expenses. The study shows two main factors as the reasons for this difference: 1) the Japanese care manufacturers themselves make only about 25 to 30 percent of the car's total value, the rest being purchased from about 8,000 specialized suppliers; 2) the Japanese final assembly line is significantly more automatic It has been calculated that the Volkswagen Works could save about DM200 million annually in storage expenses alone, if it were to increase, within production, the share of its cooperational partners to a level similar to that of the Japanese.

After the examples mentioned, we have perhaps arrived at the point where we can try to make a more detailed and more precise list of potential economic advantages offered by a wider specialization and cooperation.

The development of enterprise profiles in which production activity includes a relatively smaller number of working processes:

--could help in introducing highly productive and modern machines and production processes, and thus in increasing productivity and in lowering specific costs;

--could make the organization and control of production processes more simple and clear, extending the possibilities of adopting up-to-date computerized control and plant management;

--could make the strategy of applied scientific research and of the purchases of foreign licenses and know-how more concentrated, since the adaptation of the new technology could be grouped around product profiles which require similar production processes and a narrower technological area;

--could contribute to a more even use of machine capacities, to a decrease of the frequency of changes in production, which would then also decrease losses in material and energy;

--could contribute to the improvement of technical and work discipline (working morale) through a stricter, closed-cycle organization of the production processes and a higher financial interest connected with individual performance;

--could diminish the frequently excessive inventory of enterprise stocks of materials and semifinished products as well as related warehouse expenses;

--could help increase the number of better trained and more experienced specialists and could make the orientation of professional training more unambiguous;

--could improve the quality of products or semifinished products through the possibility of adapting up-to-date means and methods of quality control that are connected to modern processing technologies, and through easier confinement of errors resulting from a reduced working process;

--through the proliferation of mutual delivery relations, it could introduce significant elements of stability into the sphere of international marketing and acquisition, and could boost the exploration of mutual interests in relation to the transfer of technology;

--as a trend in economic management, it could make it easier for the small- and medium-size factories to expand, and it could thus contribute to the mobilization of labor surpluses still to be found in the various sectors of the national economy (e.g., in farming), to a more intensive confrontation of smaller groups of employees with the demands of the domestic and foreign markets, and, last but not least, to more flexibility in regrouping products and means of production by aiding adaptation to the market.

It would be possible to continue this--perhaps a little technocratic--list of these and similar potential advantages. However, the theoretical advantages of broader specialization are clearly shown by the preceding.

The rightness of the principle itself and, at the same time, the huge lag apparent in its implementation, is debated by no one. But there are extensive and heated debates on the possibilities and limitations of practical implementation. These originate partly from our internal economic characteristics, and, in connection with the present characteristics of CEMA cooperation, from the foreign economic sphere.

If we accept the fact that the level of specialization is significantly below the level which would be justified by the technical standard we can reach and by other technical-economic aspects, then there must be a cause--or some relationship of causes--for the lag.

The fact that a looser "domestic national standard" emerged in the efficiency requirement in place of a stricter international standard (and that this involved mainly the price system), had a braking effect for a long time. This cause ceased to exist in our country in principle, and its effect is about to cease in practice.

But there is, indeed, another fundamental cause which has a significant effect on the lag. It is the fact that our economy's entire system of goals, the scale of preference in evaluating performance, and the handling of the main tasks in planning and management are all very closely connected to the direct demand structure of the final use. This is why an undue emphasis on the final product seems to have emerged in the entire economy; in our country, in the other socialist countries and in the area of mutual economic relations as well. Those who find themselves in the middle level of production, have been pushed onto the edge of attention and evaluation.

This view is manifest, for example, in the wide proliferation of large enterprises which make finished products entirely by themselves. At these enterprises, the production volume of partial production processes are matched with the volume of the finished product which yields the main profit. It has thus become institutionalized, both at the branch level and the national economic level, that a high proportion of the partial production processes lag far behind the volume which would be economical through the use of modern technology. This circumstance affects technical development in that frequently small-volume technology is used or, even if modern and highly efficient machines are acquired for the development of one or another area, they are standing idle for most of the production time. The complete up-dating of every partial production process of the universal enterprises remains a dream without the use of the principle of self-sufficiency. In the final analysis, the principle of production management itself, which is short-sightedly oriented toward the finished product, creates a poor environment for technical development.

In the case of some products, it may be possible to approximate the leaders' technical parameters through huge efforts and supplementary investments, but the long production periods are negative factors which in the end make the products less competitive in the world market.

The technological lag is especially disadvantageous in those areas of production in which we participate, at our average level of technical development, in the international division of labor. It does not need any proof that most of our products which can be manufactured under a policy of technical development that is realistic--and largely follows the leaders--have already reached the highest point of the world market's curve. The point where we can step in is generally the phase of extensive proliferation in which--as a result of lowered prices--it is high efficiency, low production cost, dependable quality, short-term deliveries, and other similar factors that determine international competitiveness. This is, then, clearly a competition among production capacities in the background; what is decisive here is the proportion of all phases necessary for production which have adopted the most up-to-date and most efficient processes. Under the present level of technical development, we should fit in the most extensive international division of labor sensibly--by making good use of our own existing characteristics. It is evident that this fitting-in demands, to be sure, a decrease in the number of partial production processes carried out by one and the same enterprise, an increase in specialized manufacture of parts and partial units, and, surely, an increase in the economic significance of small- and medium-sized enterprises.

It is known that, as a result of extensive debates on "background industry," the development of part and partial-unit production has been put on the agenda of practical implementation. However, the emergence of the problem and the conception for development is primarily connected with the chronic lack of parts in our country and the unconditional decrease of capitalist parts imports which suddenly and greatly increased. But the point is much more than this. Extensive imports of parts are not, by themselves, bad. Indeed, they could be a consciously undertaken characteristic of the economic model of our participation in the international division of labor, provided that we were competitive enough in other profiles and were to have an export-potential necessary for a foreign trade balance. For this reason, the right thing to do is, in our opinion, to make long-term goals of high-technology production (and the principle of structure development), instead of the simple short-term decrease of the demand for imports, the basis for a gradual and more extensive development of enterprise capacity for specialized manufacture of parts and partial units.

We should, in our thinking of structure policies, supplement the conceptions of development that are connected with the above by conceptions which focus on increasing the efficiency of production processes. The national economy's competitiveness is determined in the long run by the degree of development and organization of the production apparatus. A highly developed production apparatus makes it possible to compete internationally on a wide scale of products and services. Then, on the basis of the orientation of market research, we can select from the field a narrower specialized selection which can serve as the basis for actual production programs. This line of conceptions, in our opinion, had a monopoly in present practice; first it defined the product, then it planned production accordingly, but could not encompass the entire production process from the viewpoint of technological development.

It is not easy to create the practical conditions for the realization of a structure policy pointing at more extensive specialization and cooperation, and for the realization of conceptions of enterprise management.

Even lately, we have witnessed just the opposite process of an increase in the number of specialized independent enterprises; partly because of a guaranteed supply but not the least because of efforts to attract a labor force, large enterprises which are in control of the field of specialization for one or another product or group of products, have steadily annexed the small enterprises which were cooperating with them and which had supplied them. In defense of their annexations, they referred mostly to undependable supplies and dishonored contracts; these phenomena do exist indeed, but the problem is that the bad side effects of the treatment are deeper and longer than the good effects. Through a concentration--after a sufficient number of annexations--of a high proportion of production verticality of finished products into a single enterprise, this cooperational dependence can be reduced to a level of raw-material supply without any specific treatment, and then the "fight" can be continued in the field of asset management and stricter imports. In the final analysis, this is detrimental to the national economy, for specialization of a single or a few products is not real specialization in the larger part of production.

A much stricter honoring of contracts, including serious sanctions as well, is really one of the basic requirements for the reversal of the annexing trend and for the healthy cooperation of specialized and independent enterprises that are supposed to cooperate with one another. It is evident that stricter legislature can also play a role in this. It must also be pointed out at the same time that legislature must be in harmony with the adopted methods of economy and economic management and there the degree of enforcement and sanctioning must be in proportion to the given economic freedom of the enterprises, otherwise the law's strictness would hinder, rather than help, a smooth production process.

Another basic requisite for a general widening specialization and cooperation is a much higher standard of service, e.g., of supply. On the one hand, a more extensive spatial separation of individual phases of production would result in a dramatic increase in deliveries and, on the other hand, it would, through its dependability and exactness, raise standards significantly.

Also, a big improvement should be attained in the flow of market and technical information, and in the marketing activity of the enterprises and the special institutions working for them. All of these have huge resources for the improvement of efficiency. However, in the case of production cooperations which take place in a significantly more complex technical-economic framework than simple trade, completely new vistas of market orientation capacity would be needed to find possibilities and ways of realization.

The problem of a socialist type of enterprise activity, and the question of social recognition of related risks and material and moral consequences, is still unclear, and theoretical studies are in their initial phase. Extensive enterprise initiatives are impossible without appropriate methods of economic management and a political-moral atmosphere.

The question is expected to elicit extensive debates, namely, what the tasks of the enterprises should be in the improvement of cooperation and how much the central economic management should do. The identification, comparison and solution of hundreds of technical and economic problems connected with concrete cooperation can generally be successful only within the framework of the interested enterprises' own activity. What is most needed for the identification of profitable ways of cooperation is detailed technical-economic information, most of which is provided precisely by the interested enterprises' own production characteristics.

High-level economic management can help extend the cooperative division of labor through good planning and good regulations, good organization, the development of services, appropriate agreements in international cooperation, the domestic adoption of high technology, and the coordination of many other elements of the macroeconomic system of requisites. In addition to such indirect methods, the central planning and management organs also have direct possibilities and tasks in pricing at the branch or product level; these originate from our own model of economic planning and from the present system of planned CEMA cooperation.

And here we come to the expected role of increased specialization and cooperation in the further development of CEMA integration. In the opinion of some people, mutual cooperation cannot be significantly improved within the framework of the usual trade. Under such conditions, closer cooperation may have new possibilities. There are no serious differences of opinion with regard to the potential benefits; the ways of practical implementation, on the other hand, are still unclear.

In the improvement of CEMA cooperation, we must start with the real fact that the internal economic mechanism of most member states does not encourage enterprise initiative and independence in international specialization and cooperation--indeed, it makes it hardly possible. Domestic production prices are different from both world market and CEMA's foreign trade prices, and production is separated, both economically and organizationally, from foreign trade. And a lack of an active system of foreign exchange leads to a bilateral and inflexible balance of foreign trade. Hungary is essentially the only one of the member states which has an "extroverted" mechanism instead of one which makes enterprise activity largely "introverted." We cannot demand or expect the member states to make substantial changes in their economic mechanism, although they make modifications from time to time. At the same time, however, we must continue developing our own economic mechanism according to the present principles and our own characteristics.

There seem to be three ways out of the problems resulting from the differences in the mechanisms, two of which, however, are in fact deadend streets. For if we had reduced the gap between the "introverted" mechanisms, they would not become "extroverted"--on the contrary. And if we had tried to counterbalance the diverting effect of internal mechanisms with a leading mutual integrational mechanism, then some problems in the conflict of domestic and international mechanisms would remain unsolved. The third way is a partial and gradual coordination of national and state economic policies, a more flexible cooperation at the state level, and more extensive enterprise relationships.

Beyond the problem of economic mechanism, there are certain differences in the evaluation of regulating principles and goal orientations which can serve as the initial basis for an increase in specialization and cooperation at the CEMA level and which can determine the main aspects of structure policy, especially in the case of smaller countries with an open economy. Basically two kinds of starting points and goal orientation can be considered.

According to the first variation, we must start from all CEMA members' needs as planned in natural balances, and the branch production tasks that result must be divided among the branches of the member states, and international specialization and cooperation must be organized in a way to make communal efficiency the primary goal. To achieve this, some countries must even make some sacrifices.

Another alternative might be for member countries to strive for such a reallocation of their resources through reorganization and manpower reassignments, which would broadly maximize the competitiveness of their production facilities at a world level--not the least by an increase in the intra- and inter-national divisions of labor. By letting the surplus production thus gained, to fit into the international, but especially the CEMA-wide divisions of labor through some kind of iterative process. In this case national economic efficiency is the basic objective through which an equilibrium efficiency within CEMA might also be attained.

It is this latter approach which, in our opinion, best suits the efforts to increase efficiency and make better use of national characteristics and, last but not least, this is the one which can become a wider economic and technical basis for a general and freer implementation of increased specialization. Both alternatives reckon with an increased economic cooperation with non-CEMA countries and with a larger role for specialization and cooperation in this sphere of international economic cooperation as well. But while the first approach deduces CEMA integration's emphasized interest connected with external cooperation only from the entire program of development and products and more or less determines the possible role of each country in this, the latter approach begins, here too, with the utilization of national characteristics, and considers the structure of cooperation with the external regions as derivative and flexibly changeable.

The double--and contradictory--value system of mutual output, and the evaluations based on the contraposition of so-called "hard and soft products," manifest in ruble prices, has already led to significant and increasing conflicts in the sphere of interests of CEMA cooperation.

There are numerous arguments which say that the double value system arising from a lack of convertibility will be a serious hindrance to specialization which supposes an expansion of mutual deliveries of semifinished products, parts, partial units and intermediate goods. The creation of semifinished-product capacities which use the most advanced production processes, makes it necessary to import a significant amount of equipment and know-how mostly from the capitalist countries. In addition, the use of energy and raw materials--which have become more expensive and which are considered in the socialist market as capitalist essentials--may constitute a relatively high proportion of the value of the manufactured semifinished goods. All of this may elicit an interest for all participants to strive, in the division of profiles that aim at the expansion of cooperation, to acquire a profile of manufacturing finished products, since this phase of production gives the best opportunity for using their own national labor input for most of the production cost.

They may further increase this unilateral interest with reference to CEMA pricing of certain semifinished products. Well known is the strong view that the CEMA price of semifinished goods must be kept lower than world market prices. The arguments for this emphasize mostly the following:

--In certain CEMA countries, but above all in the Soviet Union, the prices of parts and partial units are lower than the prices arising from the application of CEMA pricing principles. Under such conditions, the manufacturers of semifinished products have no interest in the use of imported semifinished products;

--The acceptance of a profile of semifinished products which is based on the expansion of specialization entails lower costs to begin with, and it is economically justified to share the resulting benefits with the user;

--Finally, there is also the argument that it is practically impossible to follow world market prices, for cooperational deliveries are in some cases so specific in product content that they cannot be compared with the world market's cooperational products, not to mention that the prices of such cooperational agreements in capitalist countries are usually unavailable.

We, from our part, disagree with these arguments.

Keeping the domestic prices of semifinished goods and parts at a level that is generally lower than the real social investment is connected to the finished-product-centric view, discussed earlier, and essentially represents one of the methods of covert subsidy for manufacturers of finished products. While the effects of this are apparent only in the sphere of domestic producer relations, it is an internal matter of the preferential system of domestic economic policy. As soon as the relations cross the country's borders, however, the practice of low "prices of parts" modifies the interstate division of revenues. Moreover, since essential capitalist goods constitute a high proportion of investment and production costs of semifinished product manufacture, this principle of pricing would at the same time implement the international redivision of assets that are possible to conserve--in both cases to the disadvantage of the country which delivers the parts.

With regard to the large-scale semifinished-product manufacture's effect on decreasing specific costs and to the division of the resulting benefits, their effect on prices will be manifest, no doubt, in the capitalist market's prices which are considered as a preferential basis. It is a much more justified statement that the capitalist enterprises and concerns which determine world market prices are way ahead of us in the realization of benefits arising from large-scale production and thus comparative prices largely include the cost-efficiency effects. This speaks for setting the CEMA prices of semifinished products and parts somewhat above the main market prices as an incentive--at least in the initial period of the general expansion of specialization and cooperation.

Finally, we would like only to note with reference to the argument regarding the difficulties in documenting world market prices, that if there is no preferential price, it will become difficult not only to set an approximate CEMA price but also to set a comparatively lower price.

CEMA's acceptance of low part prices would make it especially difficult for member states with a more limited economy to develop more specialized production profiles. The structure of the demand for finished products is affected by the largest final users and thus the smaller countries' possibility for profile selection would rather shift toward the semifinished-product and delivery sectors.

There are numerous other fields and connections in which the studies dealing with the expansion of specialization and cooperation point out certain difficulties and hindering factors, or simply a lack of the necessary prerequisites, for example, the acute problem of the lack of transportation capacity or its lag behind demand in international cooperation. It is well known that, despite the present level of mutual deliveries, the increasing problems in delivering goods are close to getting out of control. Without a significant increase in delivery capacities, these problems would be even more acute in case of a more specialized international division of labor, which has a higher demand for transportation.

Significant progress should be achieved in the area of technical standardization. It is no accident that multilateral specialization of production within CEMA was successful primarily in areas where standardization was well developed. These areas comprise primarily the manufacture of ball bearings, other standard parts and partial units of general purpose, ships and machine tools. It promises another step forward that the Permanent Working Team of Standardized Parts and Partial Units was set up within CEMA's Permanent Committee on Machine Industry; this team is preparing for the entire community standards and norms for many new parts and partial units slotted for wider use, and is also submitting proposals related to productive cooperation. The Interatom-Energo and other CEMA organizations carry out a similar task in the area of nuclear industrial machine production.

It is a recurring question of CEMA cooperation, which organizations of the hierarchy--within the given system of national economic institutions--are responsible for initiating and implementing cooperations. Most member states consider only the central planning organs and branch ministries for this purpose, together with foreign trade enterprises. Even in these countries, the concept of decentralization is emerging in a way in which industrial associations, occupying a middle position in the hierarchy of management in one or another machine industrial subbranch or class of products, would be responsible for international cooperation after acquiring the right to do business abroad. This would be a positive, and thus desirable, development.

In the Hungarian system of economic management, the enterprise sphere, which has a right to make independent decisions, could be a good basis for international cooperation. For this reason, we must encourage the enterprises to do this kind of activity. Of course, large-scale cooperation which has an effect on the entire structure, should--and will--be done at the government level. Our government organs can also serve as a bridge between the more centralized management of our neighbor states and our more decentralized system. But the general inclusion of the enterprise level seems unavoidable everywhere if we want to improve and up-date cooperation.

There is a whole series of problems in connection with the given characteristics of international accounts and limited financial and product conditions. Under the simultaneous implementation of the individual countries' given characteristics of domestic price and financial systems, the bilateral character of mutual accounts and the multiple value system of mutual output evaluation, it is extremely difficult to find areas where cooperation and specialization offer quantitatively demonstrable savings in social labor. The problem is further aggravated by the fact that national economic benefits shown by complex and not always dependable calculations do not always exactly reflect the benefits of enterprises which finally implement a division of labor, and thus any kind of coordination between national economic and enterprise interests can be achieved, in this area too, only by a vast mesh of individual subsidies and curtailments.

It is connected largely with these problems of evaluation and the lack of convertibility that the institutionalization of certain surmounting constructions, based on naturalistic views, emerged in connection with the expansion of specialization and cooperation, for example:

--in the framework of international division of profiles of production phases that include finished products, the various countries should receive an equal proportion of production profiles which are closer to the basic raw materials and which include finished products;

--the undertaking of production phases burdened with a technology that needs much energy and currency expenditures, should also be mutually honored by capitalist deliveries;

--in the area of certain larger scale cooperation, we should strive for completely balanced mutual deliveries;

--special clearing accounts should be established, in the framework of which temporary debts and claims can be settled only through mutual deliveries of the cooperation in question.

If specialization and cooperation are also institutionally and extensively burdened by such secondary constructions of evaluation which can hardly be connected, through complex calculations, with the mutual benefits arising from the expansion of the division of labor and which in no way encourage practical implementation, then it is to be feared that this kind of disorganization and low efficiency of the financial accounting sphere can seriously hinder the unfolding of the entire process.

The expansion of the principle of specialization and cooperation cannot only open up new ways to increase mutual deliveries within the CEMA, but it can also lift cooperation in third-world markets from the present initial phase to the level of macrosize economic significance. National economies can increase their potential possibilities especially through mutual undertaking and implementation of complex developments demanded by developing countries. Specialized and cooperational division of labor with highly developed capitalist and generally nonsocialist countries must, of course, play a very important role in the unfolding of the entire trend and in cooperation with third-world markets. Considering this as well, disorganization in evaluations and accounting can have a stronger-than-average negative effect on bilateral or multilateral third-world cooperation.

From the aspect of the unfolding of the tendency of specialization and cooperation as a whole, we consider a significant improvement of the flow of international information as important question. Not only a better knowledge of the factors of demand and supply in trade is needed, but a regular and institutionalized exchange of information must include areas which appear as new in CEMA, for example, problems of detailed production, technological development, investment and production technology. The recognition, initiative and organization of cooperative possibilities in production is becoming almost impossible without this.

In the meantime, however, while the effect of the efforts to improve the conditions in domestic and foreign economic management becomes more and more apparent, it is sensible and imperative to search for and use all possibilities which are available at present in the expansion of CEMA specialization and cooperation. The possibilities for progress are, in our opinion, significantly more favorable now than they were in earlier years. The fact that the necessity for expansion of specialization--both from the aspect of the domestic process of reproduction and that of further improving international cooperation--is considered a basic link by the individual member states and common CEMA forums, can in itself be a promising foundation for a faster pace of this progress. In spite of limitations and difficulties, probably a wide scale of concrete specialization and cooperation can be discovered and implemented through the mobilization of resources of the cooperation's other system of assets and institutions.

In the course of international comparison of the concepts of development policies, areas can be worked out where cooperation offers the possibility of a more extensive specialization of production in a way which is in line with every participating country's own economic conditions and concepts of structure development. The selected areas and the resulting undertakings of tasks can become an active program of production and development after they are incorporated into national economic plans and the individual national plans are coordinated by CEMA.

The expansion of specialization and cooperation is a topic which is discussed more and more often in economic science and economic policy. In the final analysis, the study of the economic process is supposed to aid practical development, thus we try to formulate a few thoughts for practical implementation.

1. Our most general conclusion is that this topic must be the basis on which we deal with industrial and commercial policy. It is the unfolding of an industrial policy which is extremely significant at present, but it is also very important to connect the development of farming and the processing industry as well as to connect the roles of domestic and foreign trade in order to intensify the process of specialization and cooperation. In this connection, we would like to call attention to the following:

--In industrial policy, we must strive for the development of an economic environment which better encourages domestic and international cooperation. It would not be right to make the normative requirement system of the regulation more lax, thus, through cooperation we must expand production that is really modern and efficient. The extra investments resulting from specialization and cooperation should be supported by credit offers, and the extra profits should be left at the enterprises' disposal;

--In farming policy, the principle of specialization can be made useful mainly by having the necessary means of production, with the condition that both the deliverer and user of technology should share the benefits; technical and economic efficiency is thus imperative. A certain, more extensive, cooperation seems possible in food processing;

--In connection with enterprise organization, we should strive for development of a relatively broad network of specialized factories and enterprises manufacturing finished products. These should be independent, supplying a wider circle of processing enterprises, and should be connected, whenever sensible, to foreign markets as well. In many cases, it would also be justified and right to give more independence to factories of large enterprises and to organize the production of certain partial units and parts for foreign deliveries.

2. We continue to push for the expansion of specialization and cooperation in CEMA cooperation, both using many good experiences and pointing out deficiencies, for example, that some of the specializations to date are formal and barterlike, frequently involving only the peripheries of production. In order to build permanent cooperation at a high technical level, we present the following thoughts:

--The problems arising from the present oversupply of frequently out-dated investment assets would not be solved if these products were specialized or produced in cooperation. On the contrary, on the basis of "less in number, more in quality," the specialization of high technology, especially that of complete equipment and modern partial units, should be stressed;

--There are shortages of consumer goods in every member state; economic policy strives to become independent; and mutual deliveries only tend to increase selection. We must accept this as today's reality, but should strive, here too, for a certain degree of specialization on the long run;

--CEMA's system of economic assets must also be up-dated, for it may otherwise hinder the expansion of specialization. We must continue to persist in our view that, in the case of specializations, too, we must use CEMA's pricing principles, for only it can adequately fuse the interests of the producer and supplier, and the importer and user;

--It would not be right to examine and develop CEMA cooperation in isolation and independently from other areas of the world economy, for the member states' world economic relationships will remain realities with significant weight even in the future. External world economic cooperation must be developed in a way in which it can organically build up and aid communal cooperation.

We are certain that when analyzing the expansion of specialization and cooperation, we are isolating from the goals and assets of our economic policy an essential fact which is also significant in the long run. This is a goal for which many economic, technical and cultural assets must be mobilized. And, at the same time, it is a means for us, as is everything else that can serve in further improving our economy.

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ECONOMIC DEVELOPMENT OF SOCIALIST COUNTRIES COMPARED

Bucharest REVISTA ECONOMICA in Romanian No 11, 13 Mar 81 and No 12, 20 Mar 81

/Article by Prof Dr Grigore Botoi of the "Stefan Gheorghiu" Academy: "Problems of Bringing Closer and Equalizing the Levels of Economic Development of the Socialist Countries" (Parts I and II)/

/13 Mar 81, pp 12-14/

/Text/ In its whole foreign economic policy, Romania accords a special importance to the problems referring to the elimination of the economic gaps, to the stimulation of the equalization of the levels of economic development of the countries. The phenomenon is wholly natural if we consider that "...Socialism," as Comrade Nicolae Ceausescu stated, "both as a way to organize society and as a new model of relations between countries, brings out its superiority in the most convincing manner, demonstrating that it is the only means for the elimination of the consequences of underdevelopment, of the phenomenon of inequality between states, for the multilateral and harmonious development of all nations of the world."*

In Accordance with the Requirements of the New International Economic Order, of Contemporary Historical Progress

The problems of the elimination of underdevelopment, of the establishment of fair international relations constitute the basic economic content of the new order that must be established in the world. Today, the old order has managed to greatly increase the imbalances in the structure of the world economy, seriously affecting the very possibility of its normal functioning under conditions of international security and peace. At the same time, contemporary historical progress presupposes the wide promotion, on an international level, of the equal right of the states to access to the gains of world scientific and technical progress. The above-mentioned desire cannot be fulfilled by means of statements or even good intentions if they are not accompanied by firm measures, on a national and international level, that would stimulate the equalization of the levels of economic development of the countries.

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* Nicolae Ceausescu, "Romania pe Drumul Construirii Societatii Socialiste Multilateral Dezvoltate" /Romania on the Way to Constructing the Multilaterally Developed Socialist Society/, Vol 8, Politica Publishing House, Bucharest, 1973, p 402.

In accordance with the direction of contemporary historical progress, the socialist order, which is being built in each country and which, through its inner calling, is establishing a system of new relations, of equality and respect between all citizens, objectively presupposes that in the relations between countries, too, it be based on relations of full equality. Today, many requirements of contemporary historical progress, which also involve the socialist countries to one degree or another, objectively argue for the elimination of the economic gaps between countries. The very concern for the prosperity and peace of the future generations, which no nation can shirk, requires the creation of a stable economic foundation capable of guaranteeing progress, collaboration and peace between all states of the world.

The Evaluation of the Levels of Economic Development

In the main, the judging of the levels of economic development starts from the nature of the production relations, from the new social order. Only on such a basis is it possible to realistically evaluate both the results obtained in all fields and the new possibilities that socialism possesses.

a) In the strictly economic sense, however, the level of economic development expresses the qualitative state in which the production forces in a national-state entity are found. One thus takes into account the degree of development of the production forces: of the means of production, including the extent to which they incorporate research activity, the advanced production technologies and the degree of efficient use of them: the level of training and utilization of the work force, as well as the efficient methods of combining and operating the elements of the production forces.

b) The level of economic development of a country incorporates the cumulative effect of the operation and combining of the production factors on a micro- and macroeconomic level. It is a question of the economy's dimensional structure and branch structure, of its degree of diversification and of the degree of national integration.*

c) The level of economic development, under the contemporary conditions of growth in the interdependences between the national economies, also includes the degree to which they are expanded and the qualitative level at which foreign economic activities are performed. They are reflected in the volume and structure of foreign trade and economic cooperation with other countries. In the final analysis, the level of economic development is reflected in the social labor productivity, in the saving of time, to which, as Karl Marx put it, the whole economy amounts in the long run. It should be mentioned that the extent to which the saving of time is achieved in a society depends on the level of development of the production forces and on the character of the production relations.

The indicators to which, as a rule, one resorts in order to evaluate the level of economic development are: those that express the per-capita volume of net national product, of national income or gross national product, of industrial and agricultural output and so on; those that express the structure of net national product and national income, of industrial and agricultural output or of foreign trade; those that express the level of labor productivity and economic efficiency; the basic indicators of the standard of living. The indicators that express the volume of the main industrial and agricultural products per capita have an appreciable power of generalization. For distinguishing the process of economic equalization between countries, one also resorts to the indicators of development by means of which the rates, the pace at which economic growth evolves and the extent to which the economic gaps between countries are or are not eliminated are expressed.

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* See: "Economia Mondiala. Tipologia Economiilor Nationale" /The World Economy. The Typology of the National Economies/, "Stefan Gheorghiu" Academy, Politica Publishing House, Bucharest, 1977, pp 26-27.

The objectives of gradually bringing closer and equalizing the levels of economic development of the socialist countries are not simple or easy. As is known, between the socialist countries there have existed, since the gaining of power, significant differences in their levels of economic development. At the same time, in comparison with the economically developed capitalist countries, all the socialist countries inherited, although to a varying degree, lower levels of development of the production forces. In this situation, there devolves further upon socialism the historical task of eliminating the economic gaps between the countries that are building this order. Thus, the process of equalization takes on a two-fold dimension. On the one hand, economic equalization between the socialist countries, that is, the effective elimination of the economic gaps between them in the process of gradually bringing closer and equalizing the levels of economic development of the less developed ones in relation to the advanced ones, with which it is natural to be compared. On the other hand, the providing of the gradual elimination of the economic gap that still separates all the socialist countries from the most advanced capitalist countries. Both aspects have an objective determination, do not conflict, but affect one another. In both senses, however, the equalization of the levels of economic development cannot mean an identical mimicking of the economic structures of the more developed countries by the less developed ones. This is also because between the socialist countries there have existed and, naturally, will exist specific national-state characteristics with regard to combining the production factors, with regard to establishing the economic structures, and because, on another plane, the structures of the economies of the advanced capitalist countries are the bearers of the asymmetries generated by the capitalist order and have their national features. The matter of equalizing the levels of economic development is all the more complex because it must be achieved under the conditions of a dynamic economic evolution of all the socialist countries. Because equalization in general, and all the more under the conditions of socialism, cannot be regarded as an embarrassing entreaty to history to stop itself or to slacken its pace. It is posed realistically as an objective necessity, in the sense of providing historical progress for all countries by stimulating the efforts of the less developed ones--a process that is becoming, more and more obviously, a condition for harmonious development for all.

Equalization--in the Interest of All States

The elimination of the economic gaps constitutes one of the basic conditions for the construction of socialism and the establishment of a new type of international economic relations between them. Objectively, all countries should be interested in stimulating the equalization of the levels of economic development.

First, the socialist countries have similar basic characteristics, able to generate and stimulate mutual economic relations. That is, they have an economic base of the same type (social, national-state ownership of the means of production), they have a state order of the same type (the power of the people, headed by the working class, under the leadership of the ruling communist party), they have a common ideology (dialectical and historical materialism as a way to creatively apply Marxism-Leninism in each country), they have common essential goals (the construction of socialism and communism).

Second, because the main, decisive role goes to the internal factors of development. However, all the socialist countries are making separate efforts, and the process of equalization is supported by this.

Third, the whole history of the evolution of the countries of the world demonstrates that even the adoption of equal legal norms in the relations between partners unequal from an economic viewpoint cannot provide full equality (also see: REVISTA ECONOMICA, No 9, 1981).

Fourth, as is also pointed out in the complex program, "The solution to the most important task of socialist and communist construction--the attainment of a higher level of social labor productivity in the socialist countries, in comparison with the capitalist countries--is combined organically with the process of gradually bringing closer and equalizing the levels of economic development of the countries."*

Fifth, rapid economic development of the socialist countries is also strongly stimulated by collaboration between them. But the existence of appreciable differences between the levels of economic development of the socialist countries, with the other factors being given, constitutes, for each period, all so many limits in the way of the expansion of mutual economic relations. Consequently, once more, there appears the objectively determined personal interest of all the socialist countries in eliminating the economic gaps between them.

Sixth, by eliminating the economic gaps between them, the socialist countries can be in a position to offer the peoples a convincing example of a nature to raise the international prestige of socialism.

Of course, taking the path of the expansion and improvement of economic, scientific and technical collaboration, of the construction of truly fair relations, the communist and workers parties in the socialist countries have understood and understand with mature responsibility the complexity of such a process. Some difficulties having an objective determination are natural and cannot be overcome except through persistent and lasting efforts by all the countries. These difficulties reside, above all, in the very newness of the process of collaboration of a new type, which cannot take beaten paths but, on the contrary, must create new exports, eliminating the consequences of the policy of inequality in the past. They also reside in the fact that in this process there are participating countries that have distinct historical features in their economic, social and spiritual life, have different languages and customs, exhibit specific national characteristics and manifest themselves as separate, original experiences in constructing the socialist society. In addition, the socialist countries have different potentials and levels of economic development, some of them, including our country too, still being developing socialist countries. At the same time, the achievement of their social reproduction is, in a markedly different manner, connected with realisation on the foreign market, given the fact that their domestic markets are very different both in volume and in structure. Consequently, the dependence or the independence, respectively, of the social reproduction of the countries with regard to realization on the foreign market, in general, and that from the reciprocal market, in particular, is so different that for some countries the matter of selling and supplying in and from the foreign market is vital, while for other countries it manifests itself with far less acuteness, Under the so diverse above-mentioned conditions, the socialist countries have gone and are going through different historical stages of socialist construction and obviously can develop themselves in a natural manner, creatively applying dialectical and historical materialism to their own realities.

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* See: "Programul Complex" /The Complex Program/, pamphlet, 1973, p 18.

There thus follow, once more, the diversity of conditions, experiences and interests of the socialist countries to which all the actions of collaboration must respond and thus the difficulties that the countries must overcome in erecting a new type of international economic relations. This is precisely why such aspects ought to be stressed, because they are real, and the devising of relations between fully sovereign and independent countries must not be presented as out of touch with life, with realities, as an idyllic process, without contradictions and without difficulties. Consequently, we feel that only a realistic understanding can also give the true extent of the immense responsibilities that go to each country in establishing a new type of international relations, as well as different domestic ones, through the expansion of mutual, bilateral and multilateral collaboration.*

Current Characteristics and Trends of the Process of Equalization

In judging the phenomenon of economic development, one resorts to the indicators of economic structure, considering that this has a role of great importance regarding the growth of social labor productivity, especially as it is in a close correlation with other factors that contribute to social labor productivity: natural, economic, technical, social and political factors.

At the same time, however, it is not natural to leave in suspension other factors of great importance to the levels of economic development of the countries. In fact, there are situations in which countries with similar structures, that is, with similar percentages of industrial output in national income or of heavy industry in the volume of industrial output, have very different levels of national income per capita or of national income created per person employed in industry. Consequently, the absolutization of the structural indicators could lead to unrealistic conclusions according to which the European socialist countries would have equalized, in the main, their levels of economic development. (According to the data from 1979, for example, these percentages were between 70 percent and 73.5 percent in the Czechoslovak Socialist Republic, the GDR and the Socialist Republic of Romania, between 62 percent /and 65.3 percent/ in Poland, the USSR and Bulgaria, and at a level of nearly 60 percent in Hungary--Cf. Table 1.) Hence it would follow that special problems in stimulating the equalization of the levels of economic development would not exist, which obviously does not correspond to reality.

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* Regarding the many achievements obtained by the socialist countries, also see: REVISTA ECONOMICA, No 9, 27 February 1981.

Table 1. The Evolution of the Structure of the Employed Population and of National Income (1950, 1975 and 1979, in %)

		Employed Population			National Income		
Country		1950	1975	1979	1950	1975	1979*
Bulgaria	A	11.4	41.5	43.1	44.0	59.8	65.3
	B	79.5	28.1	24.9	42.2	22.0	18.4
Czechoslovakia	A	36.3	48.3	48.0	74.1	78.4	72.6
	B	38.6	15.6	14.3	15.0	8.7	8.4
Cuba	A	--	29.8	32.0	--	--	--
	B	--	27.2	19.6	--	--	--
GDR	A	43.7	49.5	51.0	47.9	66.5	70.6
	B	27.3	11.4	10.5	28.0	11.1	9.1
Mongolia	A	--	20.8	21.5	--	30.1	32.7
	B	--	44.9	41.6	--	22.4	19.5
Poland	A	26.2	39.8	40.9	45.0	70.8	64.7
	B	54.6	30.8	26.6	40.0	14.8	15.9
Romania	A	14.2	38.7	42.4	44.0	65.6	73.5
	B	74.3	38.1	32.8	28.0	16.6	16.1
USSR	A	28.0	38.0	38.5	64.0	64.0	62.1
	B	48.0	22.8	20.6	22.0	17.1	17.5
Hungary	A	23.0	43.8	42.2	55.9	58.4	57.9
	B	51.0	22.6	21.8	25.0	16.4	16.3
Italy	A	36.7	46.5	38.3	57.9	59.8	60.2**
	B	23.6	17.3	15.5	17.8	15.7	10.8
France	A	39.1	39.3	37.1	64.3	65.7	62.1**
	B	22.4	12.2	9.1	12.7	8.8	7.8
FRG	A	49.0	47.6	45.1	67.1	71.2	71.4
	B	14.0	7.0	6.5	7.0	4.0	4.1

A: Industry and construction
B: Agriculture and silviculture

Source: "Anuarul Statistic al RSR" [The Statistical Yearbook of the Socialist Republic of Romania], 1976-1979; "Statisticeskii Spravocinic Stran Cilenov SEV," 1976 and 1980; I. Dumitru, "Indicatorii de Comparabilitate" [The Indicators of Comparability], "Stefan Gheorghiu" Academy, 1977.

* The data are from 1978.

**For the developed capitalist countries, the data refer to GNP and all are for 1977.

If the inconsistency of absolutizing the structural indicators in evaluating the levels of economic development of the countries follows from the above-mentioned situation, then the opposite idea, that of ignoring the structural indicators, is no less incorrect. It is well known, for example, that nowhere in the world is there a poorly developed country whose industry is advanced and has a high percentage in gross national product. On the contrary, reality confirms the fact that the countries with developed economies have a high level of industrialization, including in the agricultural sector, have a high percentage of industry in national income, and, within industry, machine building and metalworking, electric power production, chemistry, electronics, electrical engineering and so on have notable percentages and growths. Consequently, the relative equalization of the levels of economic development of the socialist countries presupposes, above all, a convergence and equalization of the quality of the technical resources and labor resources. Horizontally, this means similar proportions of the different sectors in the national economies, a relatively similar segmentation of the productive human potential of each country in the hierarchy of the complexity of the economic activities, starting with those in the foremost areas and ending with those in the less complex fields. Incontestably, such a structuring of the national economies presupposes relatively similar degrees of equipping with advanced techniques and technologies, of use of science in economic development, of training and use of the work force and thus of achievement of more similar levels of social labor productivity. Thereby, the existence and maintenance of considerable differences between the structures of the national economies not only are not excluded but are presupposed. For instance, our country, like other countries with similar geographical and climatic conditions, will maintain a corresponding percentage of agriculture in the structure of the national economy, just as other countries will maintain higher percentages of the extractive industry.

The main conclusion that results from the analysis of the statistical data consists of the fact that in all the countries, on the basis of the efforts of the peoples, there has occurred a dynamic process of socialist industrialization that is reflected both in the growth of the percentage of industry in national income and in the growth of the percentage of the population employed in industry and construction. These percentages, which have come considerably closer between the European socialist countries, are due to the more dynamic rates at which the industry of the less developed socialist countries--Bulgaria, Romania and Yugoslavia--has grown.

The percentage of the population employed in industry and construction, although varying from country to country, has grown considerably faster than the percentage of industry and construction in national income, with just the GDR being an exception. In other words, the rapid changes in the structure of the employed population are turning up in a relatively slower change in the results of labor, that is, in the national income created by the employed population. Of course, the above-mentioned phenomenon is influenced by many factors, but it indicates the fact that, in much of the three decades analyzed, a predominantly extensive process of social reproduction occurred in the socialist countries. Czechoslovakia and the USSR had the highest level of the percentage of industry and construction in national income for a long period of time, and the percentage of the population employed in industry and construction was at the highest level in the GDR. In contrast, for a long time, among the European countries, Romania and Bulgaria had the lowest levels for both indicators. One notes in all the socialist countries, although with appreciable differences, a big drop in the percentage of agriculture in national income and an even more marked drop in the percentage of the population employed in agriculture. This is under the conditions in which both the agricultural gross output and that per capita grew absolutely. At the same time, if one considers the ratio between the percentage of the national income created in agriculture and the percentage that it has in total investments, one can see the extent to which the investment effort is reflected in the newly created value, that is, what percent of national income relates to 1 percent of investments in this economic branch. Thus, this ratio is over 1 in many countries. Yugoslavia is in the most advanced position (1.8), with Mongolia, Vietnam, Bulgaria, Romania and Hungary being between 1.1 and 1.5, and it is very close to 1 in the other countries--the GDR, Poland, the USSR and Czechoslovakia. It hence follows clearly that the investment efforts are also reflected quite favorably in the growth of agricultural output. In many countries, deficiencies that have appeared are formulated in precisely this context, and measures for the stimulation of investments, of rapid modernization in this economic branch, are foreseen. In industry, the respective indicator was even more favorable in all the countries (except Mongolia). Thus, in industry, this ratio was, in 1978, between 1.1-1.4 in Vietnam, Yugoslavia, the GDR, Romania and Hungary and between 1.5-1.7 in Czechoslovakia, the USSR, Bulgaria and Poland.

[20 Mar 81, pp 13-14, 22]

[Text] In the comparative analysis of the levels of economic development of the socialist countries, an all-important role goes to the volume of the main economic indicators per capita. Of course, in their value form, the sizes of the various indicators undergo many distortions, for which reason the calculations have an appreciable degree of leeway, but without hiding the trends.

The process of equalizing the levels of economic development covers two periods: that for reducing the relative gaps and that for reducing and eliminating the absolute gaps. By mutually relating the levels of some economic indicators of the countries that are compared, one obtains relative sizes, which show, for the respective indicators, how much a country passes, or is passed by, other countries--relative gaps. The differences between the absolute levels for a per-capita indicator of a country and those of other countries indicate the absolute gaps. In both cases, the elimination of the economic gaps and the period in which it can be done depend on the rates of economic growth and on the size of these gaps.

Thus, the period for eliminating the relative gaps--in which the absolute gaps continue to be maintained or even widen--begins as soon as an economically less developed country achieves higher rates of growth than the more developed countries with which it is compared. When the index of advancement of the rate of growth is higher, the period for eliminating the relative gaps is shorter.

The period for eliminating the absolute gaps begins as soon as the index of advancement of the rate of growth (as a ratio between the two rates) exceeds the relative gap, that is, the ratio between the levels of the compared indicators.* When this advancement is higher, the period for eliminating the absolute gaps will be shorter.

The Quantitative Indicators and the Economic Gaps

In the postwar period, the European CEMA member socialist countries, on the basis of the immense efforts of the peoples, led by the communist and workers parties in each country, have also obtained special results in the direction of eliminating the inherited economic situation. For instance, in the 1950-1979 period, their national income registered an average growth of nearly 7.8-fold (as compared with the average world growth of about 4-fold, the average of about 3.2-fold in the developed capitalist countries, or that of about 4.2-fold in the developing countries). Nevertheless, large economic gaps between the socialist countries still exist for a number of indicators. Since the value indicators have a high degree of variability,* in order to evaluate the economic gaps we will resort--as an example--to the indicator of power production per capita (we specify that it is a question of production, not of consumption), which avoids some shortcomings of the value indicators and, at the same time, permits the identification of characteristics of development (see the table).

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* In connection with the quantitative relations specific to the two stages of the elimination of the economic gaps, see: "Comertul Exterior si Cooperarea Economica Internationala ale RSR" [The Foreign Trade and International Economic Cooperation of the Socialist Republic of Romania], textbook, "Stefan Gheorghiu" Academy, Bucharest, 1979, pp 34-38.

Table: The Gaps Between the Socialist Countries in Electric Power Production per Capita (the comparisons are made with the GDR)

The Countries that Are Compared*	Electric Power Production per Capita (kWh)					Absolute Gap (kWh per Capita)			Relative Gap (GDR = 100%)		
	1950	1960	1979	Growth in 1979 over 1950-1960		1950	1960	1979	1950	1960	1979
Bulgaria	110	592	3,682	33.5-fold	6.2-fold	-949	-1,746	-2,099	10.4	25.3	63.7
Czechoslovakia	749	1,791	4,464	6.0-fold	2.5-fold	-310	-547	-1,317	70.7	76.6	77.2
GDR	1,059	2,338	5,781	5.5-fold	2.5-fold				--	--	--
Mongolia	27	112	640	23.7-fold	5.7-fold	-1,032	-2,226	-5,171	2.5	4.8	11.2
Poland	380	987	3,336	8.8-fold	3.4-fold	-679	-1,351	-2,445	36.0	42.2	57.7
Romania	130	416	2,944	22.6-fold	7.1-fold	-929	-1,922	-2,837	12.3	18.0	50.9
Hungary	322	763	2,290	7.1-fold	3.0-fold	-737	-1,575	-3,491	30.4	32.6	39.6
USSR	507	1,364	4,702	9.3-fold	3.5-fold	-552	-974	-1,079	48.0	58.3	81.3

Calculated from: "Narodnoe Hoziaistvo Stran Cilenov SEV," 1979; "Strani Cileni SEV, Statisticeskii Spravocinik," 1980.

* We did not put in the table the socialist countries for which we do not have data.

Some revealing conclusions result from the analysis of the data:

a) The GDR, the USSR and Czechoslovakia had in 1950 and continued to have also in 1979 the highest level of electric-power production per capita. And, on the contrary, among the European CEMA member socialist countries, Bulgaria and Romania were at much lower levels, with the specification that, in 1979, Bulgaria was considerably beyond the level of Hungary and that of Poland.

b) The relative gaps are decreasing. Thus, in relation to the GDR, the country with which it is normal for the comparisons to be made, in the 29 years taken into calculation, the relative gap decreased over 6-fold in Bulgaria and over 4-fold in Romania. In the case of Romania, for instance, the level of electric-power production per capita in 1950 was about 12 percent of the level of the GDR, and this indicator exceeded 50 percent in 1979.

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* In terms of the structure of national income created, Romania is at a rather high level. Thus, according to "Anuarul Statistic al RSR" /The Statistical Yearbook of the Socialist Republic of Romania/, industry and construction had a percentage of over 68 percent in national income in 1978, as compared with about 50 percent in 1950.

c) The absolute gaps exhibit the general tendency to widen, although the levels at which they occur are considerably different from one country to another. Bulgaria, where the absolute gap in relation to the GDR was 949 kilowatt-hours per capita in 1950, presents a specific situation. It attained a maximum point in 1975, when it was 2,122 kilowatt-hours per capita, and then began to decrease slowly, reaching 2,099 kilowatt-hours per capita in 1979. In Romania's case, the absolute gap widened, from 929 kilowatt-hours per capita in 1950 to about 2,840 kilowatt-hours per capita in 1979, although, in the respective period, the electric-power production per capita grew over 4.0 times faster in Romania than in the GDR. Also looking at the evolution of other per-capita physical indicators, one can say that the relative gaps, as a rule, are decreasing and the absolute gaps, in general, are widening. At the same time, however, while for many quantitative indicators the tops spots go to the GDR, the USSR and Czechoslovakia, nevertheless for other indicators other countries are in front. Thus, Romania holds first place in tractor production per 10,000 inhabitants, Cuba in sugar production, and Mongolia in meat production per capita.

Qualitative Indicators of Growth

For analyzing the levels of economic development of the socialist countries and the economic gaps between them, we will also resort further to some important qualitative indicators--such as the labor productivity according to branches--which complete in an objective way the picture given by the indicators of the structure of the production of national income according to branches.

The labor productivity in the two groups of branches that we analyzed (industry and construction; agriculture and silviculture) was calculated as a ratio between the percentage of national income created in the branch and that of the employed population, and the efficiency of the investments as a ratio between this percentage of national income and the percentage of the investments made in that branch. The analysis of these indicators allows us the following observations:

a) In all the countries analyzed, the labor productivity in industry, calculated as a ratio between the percentage of national income created there and that of the population employed in the branch, is at a higher level than the average labor productivity in the national economy. In most countries, the labor productivity in industry in 1978 was between 1.4 and 1.7 times higher than the national average of labor productivity.

b) In contrast, for the majority of the socialist countries, the labor productivity achieved in agriculture was considerably lower than the average labor productivity in the economy (representing 0.5-0.9 of it; the respective indicator was over 3 times higher only in Yugoslavia).

c) The ratio between the percentage of national income created in each of the two main branches and the percentage that they have in the total investments indicates the extent to which the investment effort is reflected in the newly created value, that is, the difference between the branches with regard to the economic efficiency of the investments. For industry, this ratio is, in general, over 1 (except in Mongolia), with the efficiency of the investments in industry and construction being higher than the average in the national economy, that is, between 1.1-1.8-fold.

d) In agriculture, the respective ratio shows that, in many countries, the investment effort is accompanied by large increases in national income. Thus, the efficiency of the investments in the branch is over 1 in Bulgaria, Romania and Hungary and quite close to average in the other countries--the GDR, Poland, the USSR and Czechoslovakia. Hence it follows clearly that the investment efforts oriented toward intensive agricultural development are reflected quite favorably in the growth of national income. In a number of countries, some deficiencies that have appeared are analyzed in precisely this sense, and measures for stimulating the investments meant to modernize agriculture are foreseen.

For Stimulating the Process of Equalization

Both the gaps between the socialist countries and those between them and the more developed capitalist countries can be virtually eliminated by providing faster rates of economic development to the countries with lower levels of development and under the conditions of more dynamic growth in their social labor productivity. For this, however, there must be special efforts--material, human and of one's own creativity--and expansion of the economic, scientific and technical collaboration between the socialist countries, which would stimulate the processes for eliminating the economic gaps existing between them.

Romania, like the other CEMA member socialist countries, is benefiting from the advantages that its participation, as a founding member, in the activity of this organization creates. As Comrade Nicolae Ceausescu recently pointed out: "We are widely developing collaboration and cooperation with the socialist countries and especially the neighboring socialist countries, devoting special attention to relations with our great neighbor and friend, the Soviet Union. Romania is determined to also make in the future its contribution to collaboration within CEMA in order to meet the needs of the member countries for raw materials, supplies and energy, so that the activity of this organization constitutes a true model of fair relations, of fruitful collaboration between the socialist states, free and sovereign, gives a new impetus to socialist and communist construction."*

By means of an active presence, our country is benefiting from the advantages springing from the coordination of the plans, as a chief method of collaboration, from scientific and technical collaboration, from specialization and cooperation in production, from the extensive actions of collaboration in the financial, valuta and foreign-trade field. Romania is participating, along with other socialist countries, in the programs of technical and financial assistance and practices the price system less influenced by the speculative fluctuations of the world market (although they reflect some lasting trends). In addition, our country is participating actively, together with the other CEMA member countries, in the extensive actions provided in the special programs for long-term collaboration, in the preparation and conclusion of agreements for implementing them.

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* Nicolae Ceausescu, "A Speech at the 26th Congress of the Communist Party of the USSR," SCINTEIA, 25 February 1981.

As is known, at the same time, a number of ways and methods meant to support the efforts of the less developed countries to speed up their economic, scientific and technical progress are provided in the complex program. Thus, tasks regarding the granting of facilities to the countries with a lower industrial level are formulated, such as: the granting of technical assistance and priorities in choosing the fields of specialization and cooperation, in assimilating high-performance engineering and technologies, in stimulating their participation in scientific research work, in design activities in fields of advanced engineering, and so on.

Nevertheless, for the prospective period, our country feels that more attention should be paid to a number of phenomena and processes that are strongly putting their imprint on the development of the national economies, on the collaboration and the equalization of their levels of development.*

A very important group of problems is raised in connection with meeting in a better way the needs of the CEMA member countries for raw materials, fuel and energy. It is known that our country imports big quantities of raw materials and fuel, that is, importation has a very high percentage in domestic consumption: 89 percent of the iron ore, 68 percent of the bauxite, 48 percent of the coking coal, about 50 percent of the petroleum, nearly the whole quantity of cotton, and so on. It must be specified that the socialist countries still have a modest percentage in some imports of Romania in this category. If the staggering rise in the prices of raw materials and fuel on the world market is taken into account, it follows that Romania, for relatively constant quantities of imported raw materials, must pay larger and larger sums in free exchanges. Under such conditions, it is necessary to export more and more in order to import the necessary quantities of raw materials—and when one resorts to foreign loans for payment, it is necessary to pay very high interest for them, 12 percent and even more, which considerably worsens our balance of trade. To this situation there should also be added the fact that the volume of Romania's exports of machines, equipment and means of transportation to the CEMA member countries has attained a high level and has stayed, for a very long time, at a relatively constant level, as compared with a relative drop in the imports of raw materials. In order to be able to provide continuity to these exports, formed to a considerable extent of products that are big consumers of metal and energy (railroad rolling stock, especially freight cars, petroleum equipment, agricultural machines and so on), there results the necessity of expanding the economic collaboration with these countries, oriented toward covering the growing consumptions of crude oil and energy that Romania has, including for manufacturing the above-mentioned products, requested by the partner countries. Consequently, as the secretary general of the Romanian Communist Party judged at the plenum of the Central Committee in October 1980: "We must act in such a way that, in the spirit of the CEMA Statute and Program, we can, in collaboration with the socialist countries that belong to this organization, meet to a greater extent the need for raw materials, the need for supplies, for equipment, in order to no longer resort to imports in free exchanges to such a great degree."*

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* See: Ilie Verdet, "A Speech at the 34th Session of CEMA," SCINTEIA, 19 June 1980. Also see: St. Stancu, "Directions of the Development of Economic Collaboration and Cooperation in Production Between the CEMA Member Countries," REVISTA ECONOMICA, No 27, 1980.

In this regard, at the 34th session of the council, Romania proposed many measures, including also the pursuit of the objective of providing, through collaboration within CEMA, a similar level of supplying with crude oil, with other fuels and energy, which would permit a similar consumption per capita, with one's own resources also being taken into account, of course.

At the same time, Romania formulated the proposal of drawing up a program of long-term collaboration for more fully meeting the need of the countries for petrochemical products, by completely using the petroleum-processing capacities existing in the CEMA member countries, including those that will be built by mutual agreement. Romania is disposed to participate actively in this program, under conditions of reciprocity.

Understanding realistically the necessity of fairly solving the problem, our country specified that it is necessary to have the participation of all the countries involved--with material resources and even with manpower--in constructing by means of joint efforts the suitable production capacities for utilizing the resources of fuel and energy existing in the CEMA member countries.

The suitable equipping of the economies of the CEMA member countries with modern engineering and with advanced technologies. Scientific and technical collaboration, as experience shows, has extremely great possibilities of contributing more promptly and more efficiently to the proliferation of the top technological achievements, to the process of equalizing the levels of economic development. Thus, involvement in utilizing new sources of energy, fuel and raw materials, in achieving new materials and substitutes, in manufacturing new technological equipment, machine tools, apparatus for automation and scientific research, electronic management equipment, modern means of transportation, in devising new technologies in the processing industry, in producing new varieties of high-yield plants and in improving the breeds of animals, is necessary for all the countries, but especially for the industrially less developed ones. In this regard, our country has in mind the fact that in the field of machine building, although a large number of agreements have been concluded, the need of the member countries for some products of a high technical level, greatly required for constant progress by their national economies, is still not being met to a suitable extent. At the same time, scientific and technical cooperation has incomparably greater possibilities for the creation of new technologies, for the assimilation of new products and modern installations.

Romania has constantly expressed its interest in actively participating, together with the other socialist countries, in actions for identifying new, more efficient methods of saving energy, for devising new technologies that are small consumers of fuel and supplies. At the same time, in view of the importance of nuclear energy and new sources of energy--solar, wind and geothermal--Romania has spoken out for intensifying the collaboration in the field of research on the design and use of these sources of energy. At the same time, our country formulated the proposal regarding the intensification of collaboration for identifying new methods and technologies for reuse of recoverable materials--metal, rubber, plastic, glass and others.

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* Nicolae Ceausescu, "Cuvintare la Plenara CC al PCR din 14-15 Octombrie 1980" /A Speech at the Plenum of the RCP Central Committee on 14-15 October 1980/, Politica Publishing House, Bucharest, 1980, p 33.

In the current stage, when scientific and technical progress is decisively affecting the development of the national economies, there must increase more and more the contribution of specialization and cooperation in production, the role of scientific and technical collaboration in increasing the production potential of the countries, in increasing its efficiency.

Consequently, our country is militating for the expansion of collaboration in the production of technological equipment and complex installations, especially mining equipment, heavy machine tools, means of automation and computer technology, equipment for industrial electronics, control systems and electronic components. This would reduce considerably some costly imports of the countries. Under the conditions of the intensification of collaboration, specialization and cooperation in the modern fields of contemporary industrial production, Romania supports the idea of creating production capacities that would be placed in many countries, especially the less developed ones, in order to stimulate the equalization of their levels of economic development. At the same time, our country has spoken out for the promotion of specialization both in finished products and in subassemblies and parts, which, however, would have in view not only direct economic criteria--big production series and the technical level of the products--but also the natural needs for industrializing the countries.

Our country has expressed itself in favor of the steady, upward development of reciprocal trade. At the 34th session of CEMA, Romania spoke out for the expansion of the practice of concluding long-term agreements and contracts not only for complete installations, machines and equipment with a long manufacturing cycle but also for a number of raw materials, supplies, fuels and other basic products.

All the above-mentioned fields for development of collaboration presuppose steady, constructive actions by all the countries, so that they can thus increase substantially their contribution to carrying out extremely important concrete economic tasks that the socialist countries have to perform.

As is also outlined in the long-term programs adopted by the 12th Congress of the Romanian Communist Party, our country will make further special efforts to speed up the process of eliminating the gaps that still separate it from the more developed socialist countries, to expand and deepen the collaboration with all the socialist countries, to increase the international force and prestige of socialism.

12105
CSO: 2700/221

MORE EFFICIENT POWER UNIT AT MELNIK COMPLETED

Prague HOSPODARSKI NOVINY in Czech 13 Feb 81 p 7

[Article by Jaroslav Pesta and Jan Prochazka: "Melnik No 3 Gets Rolling"]

[Text] The idea of constructing a 500 MW unit at Melnik originated at some time in 1970. Originally, assigning the general construction work contracting to a foreign firm was considered, but ultimately the decision was made to use the experience of the young people from Tusimice, and accordingly Melnik III became a youth construction project--but not just any construction project, let us emphasize. The Guidelines for the Economic and Social Development of Czechoslovakia During the Sixth Five-Year Plan stress that the development of the power industry must focus on putting new power production capacities into operation, including the 500 MW unit at Melnik III power station. Test operation of this facility was begun on 31 December 1980, exactly according to plan; this was also the beginning of the second stage of work, which while shorter is just as important. By the end of this September the unit is to begin permanent, uninterrupted operation.

Thus the operation of this block, with a planned available power of 500 MW, is a present fact, while the birth of the first power station in Horne Pocaplice near Melnik dates from the late 1950's.

A Look into the Past

The construction of the first power station, with six 55 MW units, was extremely successful and was completed on schedule. The planned operating characteristics were achieved quite rapidly. Then arose the idea of building it a "younger sister" nearby, this time with a power of 4 X 110 MW. Construction was begun in early 1967 and the last unit was put into operation on 27 November 1971.

Nor was this the end of construction activity near the confluence of the Laba and the Vltava: in 1970 the CSSR Government decided on another power station, the third. After 5 long years of planning, the construction of the 500 MW unit was begun in 1976.

The relatively short construction time and the fact that the power station was put into experimental operation on time do not mean that everything went smoothly and simply from beginning to end. The most feverish moments probably began when the Peiner 2,000 crane broke down. Among other things, this crane was to be used to hoist the boiler units to a height of about 100 meters and install them there. The breakdown threatened the subsequent stages of construction, from the installation of the boiler and completion of the boiler plant to the phasing in of the steam turbogenerators--and this would threaten the completion schedule. But the workers' initiative and good labor organization made it possible to make up the slippage and fulfill all assignments.

Each construction project has its own characteristics which distinguish it from the rest. The Melnik III power station acquired some at the very outset. To begin with, it was the second youth construction project. A second distinguishing characteristic was the unit's rated power of 500 MW: it is the first and also the last of its type to be built in Czechoslovakia. In addition, a number of tehnical innovations appear in it. For example, the cooling circuit, which uses water discharged by the "little sisters" and makes it unnecessary to build an additional outlet on the river, is unique in Europe. Also of interest is the design of the control system: the instrumentation is of a new generation and provides almost complete automation for a large part of the equipment. Also important is the type of fuel which is planned; low caloric value lignite.

But all of these technical and other innovations represent only the surface, the package which conceals the day-to-day human labor that succeeded in creating this present-day monument. And it is this work, past and present, which we wish to present to you in several brief vignettes.

The Party Organization's Activity

Sometimes a plan would not be fulfilled on the project, so that some unforeseen situation would have to be solved on the spot, for the most part by a not-quite traditional method. It is these occasions which Rudolf Prukner, chairman of the CPCZ committee for the project, recalls. "When our West German crane broke down and we had to suspend installation, we took counsel with the people and asked them for their opinions. This paid off, for their initiative helped in successfully overcoming many difficult obstacles. In addition, a mobile crane came to our assistance from the machine building plants in Prerov, enabling us to hoist parts weighing 15 to 50 tons in the boiler plant." Nonetheless, the overall assignment for 1979 was constantly threatened; but a commitment to "clothe" the boiler plant and to provide winter support for installation of the boiler was finally fulfilled, in spite of extremely complex circumstances.

Another example comes from the boiler plant and machine shop, in which an association of brigades from all the critical supplier organizations was created. When differences of opinion arose in the course of construction work, the people in the brigades always made themselves some room for fulfillment of the key plan assignments. The foundation was their mutual ties and relationships, while order was maintained by the charter of these associations, according to which all of them were governed. This helped in particular to solve the most ticklish problems in joint installation.

Another example. At the end of last year finishing work was dragging, particularly artisan work by Armabeton. Accordingly a party inspection day was called and by negotiating a work schedule and improving conditions, the operations leadership assured fulfillment of the tasks. This engendered confidence that even the weak points could be dealt with successfully.

The party organs' initiative also manifested itself in the second half of last year. Josef Brzon, secretary for industry of the CPCZ district committee, describes it: "It was necessary to mobilize the installers to meet the deadlines on the network chart, and also go give future operating personnel a stake in this activity, to help them develop good relations and to create the preconditions for the required tests preceding integration of the facility, so as not to go over the deadline for the beginning of test operation. Thanks to the understanding, cooperation and considerable efforts of all the organizations concerned, this was accomplished."

"It is quite possible," adds Rudolf Prukner, "that we are still somewhat in debt to the project and to ourselves. But we must keep in mind how many considerable problems we had to solve. Without exaggeration, it was a unique project, not comparable with the construction of previous power stations. We ran into complications which even the experts were only encountering for the first time. But we always tried to give maximum help to assure that the work assignments were accomplished and that the operations leadership made an effort in political work as well. We primarily performed our duties in the area of oversight, but when necessary we helped the plant management orient the workers toward the main or critical assemblies, so that we actually had two roles. Thus the party organization was also involved to a greater or lesser degree with economic problems."

The Responsibility of Union of Socialist Youth Members

The Melnik III power station became a national youth construction project in March 1976. The SSM [Union of Socialist Youth] central committee immediately organized a recruitment campaign, with the result that almost 400 brigade workers not only from Tusimice but from the entire republic came forward immediately. And the first consequence was soon realized: the plan was fulfilled at the end of 1976, even though the fulfillment level had been below 20 percent in the summer.

In time, about 3,500 young people passed through the project. In addition to young people from this country, there were two brigades from Poland and a brigade from the Cuban Young Communist League, and more than 500 students from advanced schools in the USSR, Vietnam and Angola worked here as a summer activity.

"We do not always have a correct view of the younger generation. We must ask ourselves what we are doing for it and how well we have created the conditions for it to grow up as we expect it to." These are the words of Rudolf Prukner. And perhaps they did succeed in creating the proper conditions on the project, because the results have been surpassingly good. And it is also thanks to them that all of the labor successes have been achieved, because they involved accelerating the construction schedule for the cooling tower by 3 months or fixing the crane which had been broken down.

Jozef Husar, SSM central committee secretary, gave prominence to the work of the central review column "Youth Spotlight." It traced the progress of installation of components received and, in cooperation with the SSM organizations in the producing organizations themselves, whether in Prvni brnenska strojirna [First Brno Engineering Works], Skodovka in Plzen, or in Timace and Vitkovice, it helped insure smooth construction progress. As a result, for example, when at the beginning of 1978 the installation of the steel components of the boiler and boiler plant had begun and certain components had not been delivered, the SSM members in Vitkovice were organized for a number of Saturday sessions and brigade weeks, with the result that they succeeded in minimizing the slippage.

Another example. The delivery of the last transformer last year was slightly delayed, so that it arrived at the site about 15 May. Nonetheless, the unit was phased in by 27 May. The SSM members went along with the train carrying the transformer to see that it was not excessively delayed anywhere, with the result that a trip that normally would take 5 to 7 days lasted no more than 2 thanks to their work. And this was of great help.

Engineer Oldrich Blecha, head of construction of the Melnik III station, says: "The project came to be the center of attention of all SSM bodies up to the central committee. They considered not only that they had to furnish the manpower, but rather that they were patrons of this project."

Meanwhile, the recruiting of brigade members for the project was a rather complex matter, with which the project's SSM committee had to involve itself. Not everyone who came was mature, not everyone was a specialist who could be quickly put to work. But a place was found for everyone. The unskilled were placed where it would be possible to use their strength, and courses were held so that these young people could finish their schooling and improve their skills.

Full-Scale Operation After 9 Months?

After the integration testing, on the last day of last year Melnik III station was started up for 9 months of trial operation. The previous period had indicated, or even suggested, weaknesses. These particularly involved suspended tubing in the boiler which will have to be replaced, necessitating a stoppage for about 2 months. Another problem is the feed pumps. They have rather limited volume, so that it is not possible even to think of an output above 400 MW. Problems are also arising in coaling: the grates become clogged, which last year wrecked seven coal feeders. There is also considerable accumulation in the boiler facility!

In addition, there are considerable complications in supplier purchaser relations. For example, the final supplier of boiler and boiler plant, Prvni brnenska strojirna, has not received from another final supplier, Zavody prumyslova automatizace [Industrial Automation Plants], the necessary control parts for the circulating pumps and accordingly cannot put the boiler into operation. But Prvni brnenska's task ends with installing the process equipment, conducting individual tests and taking part in the integrated operation. Coordination of work is understandably the affair of the general contractor, i.e., the sectorial Skoda Plzen enterprise. Engineer Ivan Kuchar, director of the boiler construction operations, is understandably not pleased with this situation: "Since Prvni brnenska sometimes functions as general contractor, it has always procured the equipment from the other final suppliers as a set. In Melnik III, the people from Skoda have invariably failed to do this." But otherwise it appears that the designers and planners hit the mark in the basic technical design for the boiler. In most cases, such gigantic facilities need considerable redesigning in regard to temperature, pressure or power, but in the case of Melnik III there have been no problems in this regard, and the boiler may have a higher output than was expected.

Not everything is completely in order yet at power plant III. For example, the unit is still 95 percent remote controlled. Nonetheless, on the third day of test operation the plant was brought up to full speed. It climbed up to 480 MW, but after about 4 hours one of the electric feeder pumps went out of order, so that it became necessary to decrease power rapidly in order not to destroy other equipment.

"In spite of all the current shortcomings, this year's planned output of electric power will be met," says Engineer Oldrich Blecha. "In January, the planned available power was 150 MW, and the figure will be gradually increased to the desired 500 MW. And since this unit is supposed to produce 3 billion kilowatt-hours in a year's operation, i.e., in about 6,000 hours, it would be a bit shameful if we did not generate half that amount this year. We have created the necessary conditions for solving our current problems."

In the meantime, it appears likely on the whole that the planned figures will be attained. For example, fuel consumption per kilowatt hour is in the vicinity of 430 grams, a decrease of more than 10 percent. There is also a saving on the number of operating personnel! Station No 1 requires 2.2 workers per megawatt, station No 2 requires 1.3, and station No 3 requires a mere 0.8! This bears comparison with the best figures worldwide.

The kraj party organizations too have focused special attention on the construction of this important power industry project. They are correctly concerning themselves with fulfillment of assignments and with economic, social, personnel and intraparty problems. They have discussed the development of labor initiative by the associated brigades in the boiler plant and machine shop and the possibilities for replenishing the worker contingent and improving their skills.

"In spite of certain shortcomings, we must give a positive evaluation to the approach taken by all of the suppliers involved," concludes Vratislov Novak of the CPCZ Central Committee. "We believe that we will also succeed in the current task of putting the 500 MW unit into full-scale, uninterrupted operation at the rated specifications by the end of October." It only remains to add that as recognition of their good work the presidium of the Central Bohemian CPCZ central committee has approved the proposal of the Minister of Fuels and Power that state decorations be awarded to workers on this project who have made the greatest contribution to its realization.

8480
CSO: 2400/144

1980 RESULTS OF ENTERPRISE MANAGEMENT EXAMINED

Budapest FIGYELO in Hungarian No 14, 8 Apr 81 p 5

[Article by Dezso Suto: "Economic Operation of Enterprises, 1980"]

[Text] Without analysis of enterprises' accountancy, modern economic operation and management could not exist. Evaluating a year of economic operation is always an exciting job, but it is especially so after a year when the price- and regulatory systems changed significantly, and so did the mechanism of their effects.

This year the accuracy of the data is--understandably--extremely important. Only a very short time was available to receive and check the balance sheets and statements, and to process them (A total of two weeks.) The best quality, the validity and reliability of the reported data had to be determined in this time.

In order to make this possible, the directing organs as well as the enterprises had to do more careful work. (To illustrate this, I will note that 75 percent of the year-end accounting reports submitted by the enterprises had some type of error. These could have been avoided with more careful work, and the significant number of working hours needed to make the corrections could have been saved.)

In Harmony with the Plan

In examining last year's economic processes, we can conclude that the way imports and exports developed is favorable. This is considered to be the most important factor for reestablishing our economic equilibrium. The growth rate of exports far exceeded that of the imports. (The extent and ratio of this varied from branch to branch.)

The fact that energy consumption decreased compared to the previous year also strengthened the country's economic equilibrium.

This derived primarily from the more rational behavior and economizing efforts of the enterprises and cooperatives. Last year rising energy prices prompted a number of enterprises and cooperatives to implement minor investments to decrease their energy consumption, and to quickly introduce rationalizing proposals.

The growth of unfinished investments has slowed, and at current prices it only exceeded last year's backlog by 5 billion forints. This is a result of a stricter investment policy, more concentrated activities by the construction industry, and last but not least the rescheduling of quite a few enterprise investments for later years which has been caused by the reduction of resources for expansion.

Even though the inventories developed in conformance with the plan's goals, if we also take into consideration that production declined in a number of branches (compared to the previous year as well as with respect to the plan), we do not have much reason to be satisfied.

Sales Revenue Cost Structure

The socialist sector's net sales (at current prices) increased by 12 percent, mainly as the result of increased domestic and foreign prices. As a result of price- and regulatory modifications the sales of the raw material producing branches increased sharply, while sales in the processing industry branches stagnated, and in some cases decreased. Sales in the construction industry is below that of last year, in spite of the measures in early 1980 to increase prices. The decrease is related mainly to a moderation in investment demand.

Non-ruble accounted sales accounting increased faster than imports. In industry the extent of the increase falls short of the national economy as a whole. It is particularly unfavorable that non-ruble exports in light industry and the metallurgical branch did not even reach last year's level. (At the same time it is also true that measures taken by the enterprises can also be observed behind this phenomenon to develop a more profitable product structure, and this behaviorial change in economic management can be valued favorably--in spite of the decrease in the export volume).

Based on auditing experience, in the past we several times called attention to the insensitivity of economic managers to costs. Unfortunately, in 1980 costs again increased faster than the sales income. The cost level (the ratio of total production costs, including overhead, to the net sales revenue) has increased by 1.7 percentage points, from 91.5 percent to 93.2 percent.

The 1980 income statement also includes the category of so-called "profit according to the balance" in addition to the category of "profit."

Enterprise management must pay much attention to the difference between the two "profits" because the difference indicates how well the given enterprise's activity is fulfilling the present, and even more importantly the future profitability requirements.

The relative savings realized through effective cost management at the enterprises and cooperatives can only be shown through changes in the wage bill. In the national economy as a whole wages and salaries increased at a significantly slower rate than sales revenues. The increase of wage funds was below the average in industry and in the construction (where, however, the number of employees also decreased significantly), while agriculture, forestry and commerce showed above the average increases.

When evaluating the way wages developed it must also be taken into consideration that production and productivity decreased in some areas and because of this, the amount of money spent on wages in several areas was not commensurate with the performances. In industry wages increased in the metallurgy and in the machinery industry, while labor productivity and the production level fell short of 1979 levels.

Material costs increased by more than twice the changes in sales revenues. The increase of overhead costs related to enterprise administration, resource management and other activities, also exceeded the increase in sales revenue. The growth of the latter costs was especially vigorous in industry (almost 30 percent), indicating significant sources of waste which could be eliminated by the so far largely ignored effective cost management. In industry, for example, enterprises would have achieved 14 billion forint more profits had overhead costs increased only at the same rate as sales revenues.

Changes in Profits

In 1980, the combined gross profits amounted to 165.4 billion forints. On the national level this exceeded somewhat the value specified by the 1980 plan, and was only slightly less (3 percent) than the amount generated in 1979. Profit was 168 billion forints, 2.5 percent less than in 1979. Losses totaled 2.6 billion forints, of which 1.4 billion forints were absorbed by the trusts through redistributing financial resources from their profitable enterprises.

It may be concluded that the data do not justify the pessimistic mood that prevailed at some enterprises in the wake of the newly introduced price and regulatory system, earlier last year. During 1980 the financial situation of the economic units improved, their money supply was satisfactory. Compared to 1979, a smaller number of enterprises and cooperatives could not meet their financial obligations. Spiraling liquidity problems also did not have to be contended with. The number of enterprises and cooperatives closing the year with a loss, as well as total losses, were less than expected, even though both had increased compared to 1979. This increase can be interpreted primarily as the differentiating effect of stricter regulations and norms based on realistic factors.

The direction and extent of the changes in the results varied with the branch and subbranches of the national economy, in harmony with the modifications made earlier last year. Profits increased in the transportation and communication sector, and in commerce, in accordance with the goals but owing also to the effect of the central measures. In agriculture and forestry--far exceeding that of the previous years--the dynamic growth in profits was made possible primarily by the good crop yields. In construction the decreased demand appears in terms of decreased profits, while in industry profits were smaller than in the previous year because of the reasons outlined above.

More Resources for Development

The enterprises and cooperatives (excluding agricultural cooperatives) formed 4.5 percent more directly usable "incentive funds" (made up of the development and the various participation funds) from their 1980 profits than in the previous year. While increased profit and local taxes reduced incentive funds, this was largely counterbalanced by decreased requirements for reserve funds and by regulations permitting their wider use.

The economic units set aside a sum of 47.6 billion forints to cover their development goals, 8 percent more than in the previous year from their undivided funds supplemented by the reserve funds--despite decreased profits at the national level. Excepting construction development fund increases generated by profitable products accrued in every branch of the national economy. But while in the branches of agriculture and forestry, transportation and communications, and in commerce the increase in the development funds was accompanied by increased overall profits, in industry the 2 percent larger development fund was created while profits declined by 17 percent. In construction the decrease in development resources is 20 percent less than the decrease in profits.

In these latter two branches creating the increased use of reserves, permitted by the rules of the transition year, facilitated the growth of development funds independently from the level of profits.

The economic units formed gross participation funds from last year's results totalling 7.7 billion forints, which is 11 percent less than in 1979. The portion of the wage fund increase financed through the participation fund, however, fell by one half of the 1979 level in spite of the fact that the average wage increase was greater than planned. Thus the per capita net participation fund was practically the same as in 1979.

In harmony with the modest increase in the wage funds and with the relatively favorable level of participation funds, the number of enterprises and cooperatives lacking participation funds, and also the total deficit of such funds was negligible.

The net amount of the participation fund differs from one subbranch to the next, and also from one national economic branch to the next, depending on the direction and extent of profits. The net participation funds of enterprises and cooperatives belonging to the commerce and transportation-communication branches which increased their profits exceed the 1979 levels, while more significant decreases can be noted at industrial and construction enterprises.

In industry, the decrease in gross participation funds is significant, and even though the way wage funds developed was a meritorious compensating factor in this area too, the per capita net participation fund was about 10 percent smaller than in 1979. Within industry the value of the per capita participation fund increased in the chemical industry and at enterprises belonging to the food industry. This income source, influencing personal incomes, remained about the same as in 1979 in light industry, while it decreased to a greater or lesser extent in the other branches. According to the plans of the various enterprises, the amounts of year-end [profit] sharing paid out was about the same as in the previous year, corresponding to about 10 days' pay.

The Use of Reserve Funds

The enterprises placed 14 billion forints of their profits into their reserve funds. Owing to the regulator modifications, the formation of reserve funds is significantly less (by 7 billion forints) than in the previous year. On the other hand, the use of the reserve funds has been greatly increased. In 1980 the economic units used twice as much mandatory and separate reserve funds to supplement the funds earmarked for immediate use than in the previous year. Ninety percent of this was concentrated in industry and construction. Within industry the enterprises of the machine industry had the "lead" in using the reserve funds, but the data of mining and light industry also indicated respectable orders of magnitude.

It coincides with the general expansion of the development funds that even though the number of economic units with deficient development funds has increased, the sum of fund deficiencies is significantly smaller than in the previous year.

In summary, it can be concluded that the financial position of the economic units is more favorable than in previous years. The measures taken, and the favorable changes in managerial behavior can already be noted in a number of areas as a result of stricter regulations. At the same time cost management is still unsatisfactory, and this remains a source of continued waste in the economy.

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RESOLUTION CALLS FOR STREAMLINING COAL MINING MANAGEMENT

Budapest IPARI KOZLONY in Hungarian No 6, 18 Mar 81, pp 58-59

/Resolution No 1053/1980. (XII. 18.) of the Council of Ministers on the Modernization of Coal Mining Management/

/Text/ 1. The Council of Ministers concurs with the abolition of the Hungarian Coal Mining Trust Enterprise effective December 31, 1980.

2. The Council of Ministers shall establish effective January 1, 1981 in accordance with Section 2, Article 53 of Law No. VI., 1977 on State Enterprises

a) the Coal Mining Coordinating Center (hereinafter called: the Center),

b) the Coal Mining Management Council (hereinafter called: the Management Council) for the coordination of the development, economic, and technical activities and of the mineral resource utilization of coal mining enterprises listed in the appendix of the Resolution.

3. The Center is a legal entity and its head is the president. The publication of the founding resolution of the Center and the exercising of employment rights with respect to the president and vice presidents of the Center fall within the authority of the Minister of Industry.

4. The president of the Center shall

a) by virtue of this resolution

--determine, in an emergency, production goals to assure adequate supply;

--decide on expedient allocation and utilization in accordance with its intended purpose of the centralized technical development fund provided for the coal mining industry;

--make decisions, in accordance with technical development plans, on issues of typification and standardization at the sector level;

--decide on the determination of enterprise funding of special socio-political actions organized from the central fund (e.g., housing construction for coal miners);

--establish the organizational and operational rules of the Center;

b) execute the duties with respect to enterprises that the minister has conferred upon him in the founding resolution; nevertheless, the president shall not be authorized to establish an enterprise, to abolish it, to define or modify its scope of activities, and to withdraw or reallocate its funds; he shall not issue any directives with regard to established activities of enterprises or compulsory guidelines for their management, except as laid down in paragraph 4.a; he shall have no employer rights over managers and assistant managers of enterprises or supervisory control;

c) perform functions for the preparation, analysis, and execution of decisions in the interest of advancing the management of enterprises--in accordance with economic organizer and developer functions established in the founding resolution;

d) collaborate in carrying out functions of the Ministry of Industry and the leading functional organs with respect to issues of management of enterprises as established in the founding resolution.

5. a) the staff and budget requirements of the Center and the system of accounting shall be determined by the Ministry of Industry in agreement with the Ministry of Finance.

b) the costs of maintaining the Center shall be borne by the enterprises in a proportion to be determined by the Management Council.

c) Material incentive rules established for employees of the coal mining industry shall be applicable to the workers of the Center.

6. a) The members of the Management Council shall be the managers of coal mining enterprises and the president of the Center with advisory rights. In accordance with the resolution, the Management Council shall establish its own organizational and operational rules as well as elect its president from among its members for a fixed period of time.

b) The decisions of the Management Council shall be made by a simple majority of votes. There shall be requirement for unanimity in deciding issues that the organizational and operational rules deem appropriate.

7. The Management Council shall

--coordinate, on the sector level, the long- and medium-term plan conceptions and annual plans of the coal mining industry taking into account the energy requirements of the national economy;

--coordinate the development and technical development conceptions of coal mining;

--coordinate operative production issues affecting the entire coal mining industry;

--offer opinions in advance on important issues that fall under the authority of the president of the Center;

--represent the point of view of the sector in prepared opinions in the course of preparing fundamental economic decisions affecting coal mining;

--decide on the amount and use of a joint development fund handled by the Center which will be established by the enterprises at the Center for the realization of investments serving their common goals;

--decide on the distribution among the enterprises of the operational costs of the Center as well as of the management and trade units.

8. The minister in charge of oversight shall be responsible for carrying out the reorganization of the management of the coal mining industry; the measures relating to organizational change shall be executed with the involvement of affected ministries.

9. This resolution shall take effect on the day of its announcement. Resolution No. 2022/1974. (V. 6.) Mt. h. shall be null and void as of December 31, 1980.

Gyorgy Lazar m.p.
Premier of the Council of Ministers

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DATE FILMED

June 4, 1981